Development (194) Department.

Essential.

MS SERIES.

G.O. No.	2164
Dated	26-11-41.

[Despatch Abstract.]

Industries – Kollegal Silk Filatures Kollegal – Sericultural Expert – Appointment Govt Director Sri Ramachandra Silk Stand –

C.F. 32.

6 NOV 1941

Department | Received ____ Registered 30634 X/41

6.11.41

From (Name) L.B.Green Esq., O.B.E.,

Designation Director of Industries and Commerce,

Station M a d r a s.

To

The Secretary to Government,
Development Department,
Fort St.George. Madras.

UNDER SECRETARY TO GOVT. 6-NOV 1941 DEVELOPMENT DEPARTMENT

No. S.A.592/41. dated 4th November 1941.

Sir.

Subject: Industries - State Aid to Industries Act - Kollegal Silk Filatures Ltd., Kollegal - Resignation of Managing Agents and arrangements for the future conduct of affairs of the Company Proposals.

In G.O.No.2361 Ms. dated the 20th October 1937, Government agreed to subscribe for shares to the value of Rs.17,850 in the company subject to certain conditions." The application was carefully examined by the Board of Industries who considered that the company had good prospects of success and they recommended unanimously that Government should subscribe for shares in the company to the value of Rs.17,850 subject to certain conditions which Government accepted with a few modifications. The Board of Directors of the Company consisted of persons of good repute including Dewan Bahadur T.Raghaviah, Dewan Bahadur A.Appadurai Pillai, and two gentlemen with considerable experience of the silk industry, whilst Mr.F.L.Silva of the managing agency firm of that name had many years experience of the silk industry and an established reputation as an expert in this field. The prospects of the company therefore appeared to be good and such as fully to justify Government taking up shares in it. Unfortunately the progress of the company has not fulfilled expectations, and the Managing Agents of the company have time after time failed to carry out the orders of the Board and to arrange for the factory to be worked at economic capacity. In the first seventeen months working of the company ending the 30th April 1939, a net loss of Rs.6544-1-11 was sustained. During the next twelve months ending 30th April 1940, a profit of Rs.6884-7-11 was earned and a dividend of 3½ per cent was declared on the issued ordinary shares. During the period ending 30th June 1941, a net loss of Rs.19,340-12-11 was incurred. It is true that during the latter period although there was a good demand for silk, conditions were difficult for the successful working of a filature. The price of raw silk is necessarily determined by that of foreign silk which is imported both from China and Japan. China silk, which is cheaper than Japan silk competes with Indian hand reeled (charka) silk, whilst Japan silk competes with filature silk. The price of China silk which at the beginning of the period covered by the last accounts was about Rs.5 per lb. rose steadily from month to month until it reached the high figure of Rs.11 per lb. in June. This enabled charka silk to compete with China silk and the demand from charka reelers for cocoons became so keen that the price of cocoons throughou the period is said to have been higher than at any time during the last 20 years. On the otherhand, until a few months before the end of the period covered by the last accounts, the price of Japan silk did not rise to any very great extent as compared with the price ruling in May 1940 and as owing to the high price of cocoons, filature silk could not be manufactured at a lower cost than the selling price of Japan silk.

if full regard be had to these adverse factors, the results of working of the company from the 1st May 1940 to 30th June 1941 cannot be regarded as satisfactory. An order was received from the Mysore Weaving Factory for 2,500 lbs of filature silk, deliveries to commence from the beginning of September and to be completed in two months, but the Managing Agents failed to execute this order which was subsequently cancelled. The Board of Directors became increasingly dissatisfied with the way in which the affairs of the company were conducted and the position was reviewed at a meeting of the Board of Directors held at Kollegal on the 27th September 1941 which I was unable to attend, and as a result of the criticisms then made, the Managing Agents stated that they would be prepared to resign the managing agency if after a period of six months, the Board of Directors were not satisfied with the results obtained. Subsequently, I discussed the affairs of the company with the Chairman. Dewan Bahadur T.Raghavaiah and it was arranged to hold an emergency meeting of the Board of Directors at Bangalore on Sunday the 2nd November 1941. At this meeting which extended over 7½ hours the Managing Agents were prevailed upon to resign their agency without demanding compensation. The articles of association of the Company will have to be altered and the alterations approved by the shareholders at a special meeting which will be held as early as possible. M

2. Parenthetically, I may mention that as a result of my experience as a Director of the Kollegal Silk Filatures Ltd., I consider it undesirable that in future Government should agree to subscribe for shares in any joint stock company, the management of which is vested in managing agents. Under this system, it is extremely difficult for the Board of Directors to exercise proper control especially when as in the case of this company the operations are carried on at a place a long way from the headquarters of the directors. I consider that Government should subscribe for shares in a company only when the management of the company is vested in the Board of Directors and the actual management of the factory is carried on by a manager responsible directly to the Board of Directors. In some cases it may be desirable to attach to the company aided a Government official as manager or in some other capacity in order to provide for the necessary supervision in regard to the purchase of raw materials and the sale of the finished products. There may be some advantage in the managing agency system as it is practiced in Calcutta and Bombay where the managing agents often provide the funds required by a company for financing its production or otherwise assist it, but so far as I can see, there is no advantage at all in extending the managing agency to small joint stock companies in Southern India and there is in fact everything to be said against it

3. I enclose copy of a letter dated 2nd November 1941 addressed to me by the Chairman of the company and extracts of resolutions 5, 7, 11 passed by the Board of Directors of the Kollegal Silk Filatures Ltd., at a meeting held at Bangalore on Sunday last from which it will be seen that the Board resolved (i) that the Board of Directors should take over the direct control and management of the factory and appoint a paid manager who would be directly responsible to them and at my suggestion it was agreed, subject of course to the approval of Government, that the place of the Director of Industries and Commerce on the Board be taken by Mr. K.T.Achaya, Sericultural Expert whose headquarters are at Kollegal and that the latter should function as the local Director of the Board at Kollegal and supervise the work of the paid manager subject to the general control of the Board under such powers as may be directly delegated to him by the Board; (ii) that Government be requested to lend the services of Sri A.Ramachandra Rao, Silk Superintendent, Kollegal for appointment as paid manager of the company for a period of one year in the first instance on a pay of Rs.120 per mensem plus a special allowance of Rs.30 per mensem, and free unfurnished quarters, and (iii) that the Government be requested to permit the company to pay Mr.K.T.Achaya an allowance of Rs.100 per mensem from the date of his appointment as local Director

N 5 bales
7 bales
N
B
*

of the Company in view of the additional work and responsibilities which will devolve upon him and in view also of the fact that he will have to incur expenditure on visiting the factory and the cocoon rearers within five miles from his residence.

4. In the factory of the Kollegal Silk Filatures Ltd., Kollegal there is employed at present a factory assistant named Vydantham who received training in filature silk production under an Italian lady expert who was employed by Mr.Silva at Kollegal many years ago. Mr.Vydantham has had considerable practical experience of the filature silk industry and there are very few persons who possess such experience. I stated at the meeting tha I considered that it would be advisable to retain Mr.Vydantham's services at least for some time but this was strongly objected to by Mr.Achaya who was present at the meeting by invitation and who stated that he did not wish to be entrusted with the responsibili for carrying on the work of the factory unless he was given a completely free hand in regard to staff. In view of Mr.Achaya's attitude the Board agreed to terminate Mr.Vydantham's services provided there was no legal objection to this and it was decided that an attempt should be made to recruit a reeling assistant. It is hoped that it will be possible to recruit a suitable reeling assistant from the T.Narasapur silk filatures in Mysore, but this may not prove to be very easy and in any case most of the basins in the T.Narasapur factory are different from the Italian type of basins in the factory of the Kollegal Silk Filatures and the operation of the latter calls for special experience and training. Mr.A.Ramachandra Rao who is proposed to be appointed as manager of the factory has experience only on the seed side of the sericultural industry and he has no experience at all of factory management in general or of filature silk production in particular whilst he has not also had any administrative experience worth the name. I do not therefore feel very satisfied as to the capacity of Mr.Ramachandra Rao to carry on the factory management unless Mr.Vydantham's services are retained for the present and after further consideration, I doubt whether the proposals agreed to by the Board of Directors after nearly 8 hours discussions are the best calculated to place the company on a sound basis. I think that it would be better to continue the services of Mr. Vydantham as Factory Assistant and to advertise for a competent and experienced manager as in view of the demand for filature reeled silk for parachute cloth, it is very necessary that the manufacturing capacity of the factory should be utilised to the fullest possible extent. The services of Mr.A.Ramachandra Rao, Silk Superintendent could be lent to the company if necessary in order to buy cocoons whilst it would also be desirable for Mr.K.T.Achaya to become a member of the Board of Directors in my stead in order to supervise the operations of the company generally in situ. The Chairman with whom I have had further discussions agrees with these views, but as it is desirable that the managing agents should be relieved at the earliest possible moment since they are taking no steps to keep the factory in operation, I request that the proposals covered by resolutions Nos. 5, 7, 11 of the Board of Directors enclosed in regard to lending the services of Mr.A.Ramachandra Rao and the appointment of Sri K.T.Achaya as a Director of the company may be approved by Government. If the Board see fit to reconsider their decision on certain points in the light of my recommendations, Government will be addressed again in the matter. The lending of the services of Mr.Ramachandra Rao would ordinarily be governed by the rules in the Fundamental Rules governing foreign services but as his responsibilities when in the employment of the company will be considerable, I recommend that if possible the terms offered by the company may be agreed to. Mr.Ramachandra Rao is at present temporary but if during the period of his engagement by the company his post is made permanent, the company must be prepared to meet the usual leave and pensionary contributions.

5. The factory of the Kollegal Silk Filatures Ltd., constitutes

a valuable manufacturing unit under present conditions and provided that suitable staff can be obtained for running the factory, it should be possible to carry on operations at a profit.

[signature]

[illegible]or of Industries and Commerce.

Copy of letter dated 2nd November 1941 from the Chairman, Board of Directors,, The Kollegal Silk Filatures, Ltd., Bangalore City.

-- -47 Allow

I enclose extracts of resolutions Nos 5, 7 and 11 passed by the Board of Directors of the Kollegal Silk Filatures, Ltd., at their meeting at Bangalore today and request that you will be so good as to obtain the necessary sanction of Government and communicate it to me as early as possible.

Extract of resolutions 5, 7 and 11 passed by the Board of Directors of the Kollegal Silk Filatures, Ltd., at their meeting held at Bangalore on the 2nd November 1941.

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Resolution No.5. Resolved that the Board of Directors should take over the direct control and management of the Factory and appoint a paid manager who will be directly responsible to them. The Director of Industries and Commerce suggests that his place on the Board should be taken over by Mr. K.T.Achaya, the Sericultural Expert whose head-quarters are at Kollegal and that the latter should function as the local director of the Board at Kollegal and supervise the work of the paid Manager subject to the general control of the Board under such powers as may be directly delegated to him by the Board.

Resolution No.7. Resolved that the Government be requested through the Director of Industries and Commerce, to lend the Company the services of Mr. A.Ramachandra Rao, the Silk Superintendent for employment as paid manager of the company for a period of one year in the first instance on a pay of Rs 120/- p.m. plus a special allowance of Rs 30/- p.m. and free unfurnished quarters. This supersedes the resolution concerning him passed by the Directors at their meeting dated the 27th September 1941.

Resolution No.11. Resolved that the Government of Madras be approached through the Director of Industries and Commerce for permission to allow the company to pay Mr. K.T.Achaya, an allowance of Rs 100/- per mensem from the date of his appointment as a Director of the company in view of the additional work and responsibilities which will devolve on him and in view of the fact that he will have to incur expenditure on visiting the factory and the cocoon rearers.

Sub: Industries - Sericulture - Kollegal Silk Filatures Ltd" " 'anagement - Proposals

Ref: [From the D~~ire~~tor No S.A. 592/41 d. 4.11.19

Ltr. no. of Chs 30634 B/41.

The Kollegal Silk Filatures Ltd., Kollegal is a joint stock company, registered in this province in which the Govt. of Madras have subscribed for shares to the value of Rs 17,850; the Director of Industries and Commerce, Madras is a member of the Board of Directors of the Company, nominated by the Govt with reference to the terms agreed upon for affording state aid to it. Under the Articles of Association, the management of the Company vests in a firm of Managing agents, M/s F.L. Silva and Sons. The results of the working of the Company during the last 3½ years are given below.

para 2, p 4 of (V) 90249 4.11.37

Period.	Net Profit + or Loss −
(1) First 17 months ending with 30.4.39	(−) Rs 6,544-1-11
(2) Year ended 30.4.'40.	(+) Rs 6,884-7-11.
(3) Period ended 30.6.'41.	(−) Rs 19,340-12-11

It was expected that the concern would be able to work successfully to earn a total profit of about 20.4% on the capital. The results as shown above have however belied

the expectation. It is stated that the Managing agents failed to carry out the orders of the Board of Directors and to arrange to work the factory at economic capacity. The Board of Directors have at their meeting held on 2-11-1941 prevailed upon the Managing Agents to resign their agency without demanding[x] Compensation. They have also decided upon the following action in order to ensure the better management of the Company in the future:

A on p 1 of.

M on p 2 of.

[x] Vide p 37 of (M) - Conditions of agency

(1) To take over the direct control and management of the factory and appoint a Paid Manager

Resolⁿ 5, p. 7 of.

(2) To request the Govt to nominate this Sericultural Expert, Kollegal to be a Director in the place of the Dy I.G.C. and to entrust the Sericultural Expert with the supervision of the work of the paid manager subject to the general control of the Board under such powers as may be directly delegated to him by the Board.

A on p. 7 of

(3) To give the Sericultural Expert an allowance of Rs 100/- p. m. for acting as the local Director of the Board and supervising the work of the factory as indicated in (2) above.; and

Resolⁿ 11, p 7

(4) To request the Government to lend the services of Sri A. Ramachandra Rao

Resolⁿ no 7, p

Silk Superintendent, Kollegal for appointment as Paid Manager of the factory under the terms specified in the resolution.

Resln no 7, p 7 cf.

The Director of Industries and Commerce and the Sericultural Expert attended the meetings of the Board held on 2.11.41. and these decisions must have been taken by the Board in full consultation with them both. The following remarks seem called for on the proposals.

*B on p 8 cf.

Item (1) above: This proposal would ensure closer association of the Director with the management and conduce to efficient working. This may be accepted.

I need not object to this. JF CMc

Items (2) & (3) above:

With a view to safeguarding the interests of Govt to the extent of the share capital subscribed for, the Director of Industries and Commerce has been nominated by the Govt to be a member of the Board. It is proposed that this place be taken by the Sericultural Expert, Kollegal. This suggestion appears to be unobjectionable and may perhaps be adopted. Both the idea underlying the suggestion is that the Sericultural Expert should actively participate in the day to day management of the factory

M on p 7 cf.

A on p 7 cf.

It will ensure that they get expert advice. The Govt. interests will also be protected. It may be accepted JF CMc

supervising the work of the Paid Manager, to be appointed and the other members of the staff., subject to such powers as may be delegated by the Board in this behalf. If this suggestion is accepted, the Sericultural Expert will, in a way, become directly responsible not only to the Board of Directors but also to the larger body of Share holders for the success or failure of the concern. The results of the working have not been encouraging so far. It was said, at the time, the Company was started, that Mr. F. L. Silva, with his wide experience in the industry as a pioneer, will be able to run the factory on sound lines. The Directors have now complained that he has not been able to work the factory at economic capacity. The Director has indicated that this was partly due to the adverse factors which prevailed in the market regarding the prices of China and Japan silk. Apart from this one factor it is also admitted that the working of the factory by the Managing Agents cannot be regarded as satisfactory. The Balance

para 4, p 3 cf.

The Board of Directors is responsible to the shareholders cf B

B on p 1 cf.

A on p 1 cf.

X on p 1 cf.

A on p 2 cf

have not been furnished. Nor has the Director mentioned the practical difficulties which impeded the working of the factory.

A full report on the working of the concern during the tenure of office of the Managing Agents from 1938 to date, it does not seem advisable to decide the question of permitting the Sericultural Expert to take up the duties of a local Director of the Board of the Company for orders whether the Director will be asked to submit a report in detail on these points.

In this connection, it is submitted that the policy of the Govt is not to associate themselves actively in any Commercial concern. Financial assistance through the State Aid to Industries Act, is offered with a view to lendrip their material and moral support to industrial enterprises which bid fair to do well. Direct control or management will make them liable to the body of shareholders in the event of loss and will hold them to unnecessary public criticism. In this view, it is for consideration, whether the question of permitting the Sericultural Expert to undertake the functions of a local director, as desired in the resolution of the Board, should be taken up.

No need. It is unnecessary & wholly undesirable to permit a Govt. Servant to undertake the functions of a local director of a private Company.

13.11

The Govt. have an interest in this Company and have representation on the Board of Directors Cde

Ker

As regards the suggestion of the Board to grant Rs 100/- p.m. to the Sericultural Expert as allowance, it will arise only when this suggestion is accepted by the Govt. With reference to the principle enunciated in F.R 11, The Govt may permit the acceptance of the allowance if they decide that this work falls outside the scope of the regular duties of the Officer. It does not, however seem improbable that the work connected with the supervision of the factory will trench upon the normal work of the Sericultural Expert, who is already in charge of the Sericultural Section and of the Special Staff for the manufacture of ligature gut.

Resolution 11, p 7 of. Does not arise

Item (2) on p 2 above

p 114 of F.R. (Edn no 36) with Supplement

Rule 46(a), p 46 of F.R. (Edn no 36) with Supplement

Item (4) above:

Deputation on foreign service of Sri A. Ramachandra Rao. :-

In the reasons stated at A on p. 3 of., the Director does not consider that Sri A. Ramachandra Rao, Silk Superintendent, Kollegal will be able to acquit himself well as Paid Manager of the Company. He considers that the Company would do well to advertise for a competent and experienced

A on p 3 of

M on p. 3 c

Manager. Yet he has supported the proposal of the Company for the deputation of Sri A. Ramachandra Rao, out of deference to the wishes of the Chairman of the Company. It is possible that Mr. Rao will be able to discharge his duties as Manager under the supervision of the Sericultural Expert if the latter is permitted to work as local Director, as proposed by the Company.

Sri A. Ramachandra Rao now holds a temporary appointment under the Govt as Silk Superintendent, Kollegal and gets a salary of Rs 100 p.m. The Company proposes to give him a salary of Rs 120/- pm and a special allowance of Rs 30/- p.m. with free unfurnished quarters. The additional remuneration proposed by way of salary is within the limit of 25%, prescribed under the rules. Details for giving a special allowance have not however been given. There is no technical objection to transferring a temporary government servant to foreign service. It is for the Provincial Govt to decide, ~~in such a case~~ in such a case whether or not to recover pensionary contribution and leave salary from the foreign employer. For order whether the proposal of the D. I. Be to transfer

N or p 3 of.

"He has put in 15 years service as a Sub Assistant and is drawing Rs 200 p.m. Resolution 7, p 7 of.

This special allowance is not necessary. He is to work in the same place and the work is not going to be more onerous and responsible than his present work. Case Delegation under Rule 111 (2) of FR (Govt No 36) WCS of Salary

Note 1 to Rule 111 FR p 110 of FR

Sri Ramachandra Rao to foreign service for one year in the first instance on the above terms will be accepted and if so whether leave and pensionary contributions should be recovered from the Company or waived

The remarks of Finance may be invited on this point

11.11.41

S/L
12/11/41

13.11.41
14 S

This is obviously conditional on the appointment of Sri. Adya as local director. If this is not allowed, it is hardly likely that the Company will not pursue the proposal. In any case we will have to find out if Sri. Ramachandra Rao is willing to go on foreign service. The Govt. will be asked about these after S. passes orders on items 2 & 3 above.

13.11

His deputation will be, of course, subject to his fitness

Though ordinarily such close association as is proposed, of a Govt. official with the management of the affairs of a Company may not be desirable. the case here is different The affairs have been badly managed so far and supervision by an expert (an Agricultural Officer) is considered necessary to pull the business through. Govt. have a stake in the business and it is a convenient arrangement to have the Agricultural Officer who is already stationed at Kollegal to represent the Govt. on the Board of Directors and supervise the business. We may approve the D & C's proposals. Draft orders

S/L
15/11/41

For approval
J
20.11

To under Secretary.

A draft order is submitted
2. The grant of permission
to the Sericultural Expert to
supervise the work of the Company
is with reference to rule 13 of the
Govt Servants Conduct rules and
the draft order may therefore be
sent to Public for acceptance

SJG
20/11/41

J
20.11.41

S 21/11/41

Public

Dev. wo. No 36694/41-1
24.11.41

ASSISTANT SECRETARY TO GOVT.
24 NOV 1941
GOVT SECRETARIAT

A above
42156
24/11

Issue of the draft order below

& pp 12-13 of BK 8
in Folder 34 in
G's shelf

p.2 G.O 2755
5/8/38

(Y)

Pub(Elec) 42156/41-1
25/11/41

Public (Elections) Dept.

Please see the Development Dept.
notes on pp. 1-9 ante. The file has come
to this Dept. with regard to granting
permission to the Sericultural Expert, Kollegal
for supervising the work of the paid manager
of the Kollegal Silk Filatures Ltd., Kollegal,
and accepting an allowance of Rs. 100/- p.m.
& The relevant rules are rule 13 of C.S.C.
Rules and subsidiary rule # 4 under
F.Rs. 46 and 47. The permission asked for
may be granted. The draft may be
accepted and the file returned to
Development.

25/11/41
Ina
25/11

Dev. Dept.

The draft order explains the proposal. Public agree

For approval.

25.11.41

C. 25-11-41
A 26-11-41

25.11.41

Issue today & if received. (As Govt's it at Kottagal where he is going tomorrow)

Issued HS-12

[Issued as G.O No 2164 Rs Dev d 26.11.41] HS 9-12-41

visited this factory yesterday & was greatly struck by certain points

i the factory & equipment bear many signs of continued neglect. The actual reeling plant is in some respects out of order & very large proportion (probably over 50%) the small bobbins over which the silk passes are clumsily fastened in place by odd bits of wire - the screws

must having been removed. This fact alone must damn the management of the factory. Other parts of the equipment were not in good order – brass-work falling out of shape must resulting &c.
An range of basins was dismantled & the space used for receiving. The parts removed were piled up in boxes & buckets in the store room they had not been cleaned & their condition indicated that the running parts of the machinery had not been properly oiled. Other parts were kept in a cupboard where Silva said they were waiting to be repaired. There was no sign of that repair.

There is a large well with a pump worked by an oil engine. The oil engine house is very badly cracked & appears in the point of falling down. The engine itself is said to work they offered to start it for me & tried to do so but I came away leaving the driver still tinkering with screws & taps. Judging from the bits of rag tied to the engine & the general dirty state I should say that the engine is not in good condition nor the driver competent.

The store rooms are not in good order. The racks containing waste silk had been

Cotton by white ants stores + tools were in disorder

ii &. [It is incredible than any particular good results could have been expected when a feeble creature like Mr Siboa is put in charge.]
I did not see the manager but there were very obvious indications of his incompetence

[ ] Sir Capt

The factory has not been ~~some~~ working for 3 weeks - more probably a month Mr Rebagga did take charge at once but all tools + plant did be checked over at once. I did be surprised if there is a proper inventory of tools stores + spare parts

A new manager must be put in another man to run the engine The boiler did be inspected at once by boiler inspector.

The engines ~~did~~ (steam + oil) did be examined by a competent Engineer.

HB
CM

CM
1.12.14

C.F. 17.

DRAFT FOR APPROVAL.

Development Department.

	Date.	Initials.
When received for fair copying.		
When copied ...		
When examined...		
When signed ...		
When despatched.		

SUBJECT :—

~~Industries Act~~ ~~Rules~~ ~~State Aid to Industries Act~~ – Kollegal Silk Filatures Ltd., Kollegal - Sericultural Expert - appointed Govt. Director - Sri A. Ramachandra Rao Silk ~~Expert~~ Superintendent - Loan of services to the Company - Sanctioned.

11-PM

Pl. vow for reading

Ap other pl

READ AGIAN ....., dated ..... 19.....

" " ..... " ..... 19.....

READ *ALSO* :— 41

No. 30634 D From the D.I. & C. , No. SA 592/41 dated 4-11-19 41

" ..... " ..... " ..... " ..... 19.....

" ..... " ..... " ..... " ..... 19.....

11.1-7.41

Order / ~~Resolution~~ **Ms. Rout.** No. 2164, dated 26-11-1941

para 3, H 2-3 cf

P 7 cf

para 3 P 2 cf

The Director of Industries & Commerce requests sanction of the Govt. to the following proposals which have been approved at a meeting of the Board of Directors of the Kollegal Silk Filatures Ltd:-

(1) that the place of the Director of Industries & Commerce on the Board be taken ~~out~~ over by Sri K.T. Achaya, Sericultural Expert, who should function as the local Director of the Board at Kollegal and supervise the work of the paid manager subject to the general control of the Board;

(2) that the Company be permitted to pay Sri K.T. Achaya an allowance of Rs. 100/- per mensem from the date of appointment as the local Director in view of the additional work and responsibilities which will devolve upon him;

(3) that the services of Sri A. Ramachandra Rao, Silk ~~Expert~~ Superintendent, Kollegal be lent to the company for appointment as its paid manager for a period of ~~or~~ one year in the first instance on a pay of Rs. 120/- plus a special allowance of Rs. 30/- per mensem and free unfurnished quarters.

2. The Govt. have carefully examined the proposals of the Board of Directors of the Company. The Silk factory of the Kollegal/Filatures Ltd., is a valuable manufacturing unit under present conditions ~~and its affairs have been badly managed so far and~~ supervision by an Expert ~~is considered necessary to run~~ the business through, ~~Further, the Govt. have a financial interest in this Company and it is therefore necessary that every help should be given to it. It is~~ a convenient arrangement to have the Sericultural Expert who is already stationed at Kollegal to represent the Govt. on the Board of Directors and supervise the business. In supersession of para 2 of G.O.No. 2449 Dev., dated 4-11-1937, the Govt. are accordingly pleased to nominate the Sericultural Expert as the Govt. Director, to serve on the Board of Directors of the Company and permit him to function also as the local Director of the Board and to supervise the work of the paid manager subject to the general control of the Board under such powers as may be directly delegated to him. In

view of the additional responsibilities involved, the Govt. permit the Sericultural Expert to accept a remuneration of Rs. 100/- per mensem from the Company.

3. In according the above permission the Govt. have paid due regard to the principles enunciated in F.R. 11 and are satisfied that the extra remuneration is justified as the work falls outside the scope of the regular duties of the officer.

4. Under rules 110(c) and 114 of the Fundamental rules, the Govt. are pleased to sanction the loan of the services of Sri A. Ramachandra Rao, Silk ~~Expert~~ Superintendent, Kollegal, to the Kollegal Silk Filatures Ltd., for a period of one year for appointment as manager of the Company. The officer will draw his grade pay during ~~journey~~ joining time and at the rate of Rs. 120/- per mensem during the rest of the period of foreign service. He will be eligible for joining time according to the Fundamental rules and for travelling allowance under the M.T.A. rules for journeys on tour while on foreign service. He will also be eligible for free unfurnished quarters Necessary contribution towards the leave salary and the pension of the officer should be recovered from the Company.

The Company should deposit at the nearest treasury a sum equal to three times his pay in foreign service The deposit will be accounted for as a revenue deposit and refunded to the Company after the period of employment

is over and the claim of the Govt. and the Govt. servant have been settled.

-5. The Govt. ~~cannot~~ declines to sanction the special allowance of Rs. 30) ~~to~~ ~~the officer is to~~ Sri A. Ramachandra Rao, on the Pension of Rs 2 p.m. & an additional allowance of Rs 7 p.m. work in the same place and the work ~~will~~ not ~~going to~~ be more arduous or responsible than his present work.

To the D.I. & C. ✓
~~A.G.~~ ✓
+ 4 spare copies.

20.11.41

SJE
20/11/41

CM
20/11/41

There has been an unexpected turn of events since DJ & C has written that Mr. Silva has since asked for permission to withdraw his resignation of the Managing Agency. DJ & C's D.O. has been sent to Az for perusal. This question is to come up at a meeting on 6.12.41 at Madras. Unless the Managing Agency actually vacates then Achaya may not be able to take charge. We may take a copy of Az's remarks after inspection and communicate it to DJ & C. The remarks may be useful to DJ & C in connection with the meeting on 6.12.41. Please send Copy. Az's orders will be taken before it is Connected Put up on 3.12.41.

CAy
1.12.41

W.S

Spoken to Az. Copy of the remarks may be sent to DJ & C. D.O.

CAy
3.12.41

Issue the D.O. below.

S
3.12.41

[Issued as D.O. dt 3.12.41 to the DJ&C]

Contd. D.O.

27)

Development Department,
Fort St.George, Madras,
3rd December 1941.

Dear Mr.Green,

Subject:- The Kollegal Silk Filatures Ltd., - Management.

I am directed to enclose a copy of the notes of inspection made by the Second Adviser at the time of his visit to the factory. The notes may be useful to you at the meeting to be held on the 6th December 1941 at Madras.

Yours sincerely,

3.12

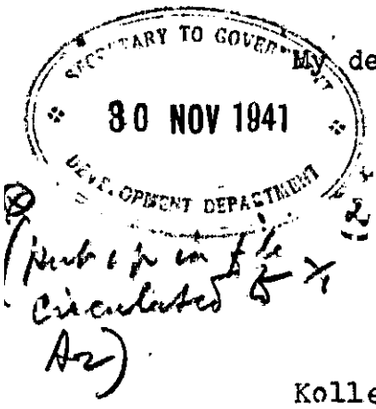
L.B.Green Esq.,O.B.E.,
Director of Industries and Commerce,
CHEPAUK, Madras.

Enclosure:-
Copy of the notes of inspection.
K.M./3-12.

Despatched in sealed cover by spl. messenger
3/12/41

D.O.S.A.691/41.

Director of Industries and Commerce,
M a d r a s, 29th November 1941.



(Put it in the file Circulated Ax)

My dear Karunakara Menon,

Subject: Industries - Kollegal Silk Filatures Ltd., Kollegal Sericultural Expert - Appointment as Government Director of -

Reference: G.O.No.Ms.2164, Development, dated the 26th November 1941.

The annual general meeting of the shareholders of the Kollegal Silk Filatures Ltd., will be held at Madras on Saturday the 6th December 1941, and it is in the highest degree necessary that the Government Director should attend the meeting. I request to be informed whether the nomination by Government of the Sericultural Expert as the Government Director to serve on the Board of Directors of the Company should take effect from the 26th November 1941, (i.e.) the date of issue of the Government Order, or whether the Sericultural Expert will function as the Government Director only from the date on which the Managing Agency is terminated. I request very early orders on this point, so that if Sri Achaya is to attend the annual general meeting as Government Director, the necessary instructions may be issued to him in time.

2. The resignation of the Managing Agents will have to be accepted and confirmed by the shareholders at the annual general meeting and if the resignation is accepted it will, I presume, become effective immediately. I regret to report, however, that there has been an unfavourable development in the situation, the Managing Agents having written to the Chairman of the Company formally withdrawing the resignation of the agency tendered by them. I enclose copy of a letter dated the 21st November 1941, which has been received by Diwan Bahadur Raghaviah from the Managing Agents in this connexion. I have not received a copy of the letter formally withdrawing their resignation. As the Managing Agents hold a majority of the shares they will probably be able to pass a resolution against the acceptance of their resignation and approving of their withdrawal of it and, in this case, a very difficult situation will arise, as the Managing Agents have proved their utter incapacity to carry on the affairs of the Company. If they succeed in getting a resolution passed by the shareholders at the annual general meeting approving the withdrawal of their resignation of the Managing Agency, I consider that the Government Solicitor should be consulted as to what steps could be taken to place the Company in voluntary liquidation.

3. I have had a telephonic conversation with the Chairman, Diwan Bahadur T.Raghaviah in regard to the turn of events and on his expressing the view that it might be desirable to accept the withdrawal of the resignation tendered by the Managing Agents, I informed him that under no circumstances could I consider such a suggestion, and that if the withdrawal of the resignation of the Managing Agents was accepted, I should advise the Government to take steps to place the Company in voluntary liquidation.

Yours sincerely,

Sri Rao Bahadur
C.P.Karunakara Menon, B.A.,
Secretary to Government,
Development Department,
Fort St.George, Madras.

Copy of letter, dated 21st November 1941 from Mr. F.L. Sylva to Diwan Bahadur Raghaviah.

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Since the fact of my resignation became known, I have received a number of complaints from my friends who hold shares in the Company. They protest that they were induced to take shares merely by reason of my being associated with the Company; and that by resigning suddenly without giving them a chance of disposing of their shares, I have virtually betrayed their interests. From the list of members which I sent you a few days ago you will see that the number of Christian holders is unusually large in this Company and that many of them own a substantial number of shares. Even among non-Christians many of the bigger holders would not have subscribed but for the fact that they were personally known to us.

2. The members of my family, and particularly my two eldest sons, have also strongly protested against my action. They claim that for the last twenty years and more, the business has been built up, with great effort and sacrifice, as a family business; and that I have no right to throw it up at a moment's notice, without making some other provision for them. My sons have been associated with me in the business ever since they left school. They are now too old to look for jobs elsewhere or to start life anew, and they find themselves stranded with nothing to fall back upon, since all our capital has been invested in this business only.

3. You will agree that our stake in the Company is so large that it is only just and fair that for the bare safeguarding of our interests, we should have a substantial share in its management. At the same time it is that very share which ought to give confidence to other shareholders, since it would be contrary to human nature that we would do anything to prejudice our own interests.

4. These considerations have weighed very heavily on my mind during the last two or three weeks; and I now feel extremely sorry that in tendering my resignation I acted hastily and without sufficient judgment.

5. That conclusion is all the more strongly forced on me - if you will permit me to say so - by reason of (what I consider to be) the inadequacy of the arrangements which the Board proposes to make for carrying on the work. While Mr. Achayya's supervision is to be welcomed, it must be remembered that it can only be perfunctory, since he must devote the greater part of his time to his own work. The nature of our work is such that some one who is genuinely interested in it, and is personally responsible for the consequence, must be at hand not only during working hours, but throughout the day and night. The safety of the stock, especially at night, cannot be left to watchmen only; and there must be proper provision for the reception of cocoons which come in largely at night. To us it has been a labour of love; others will find it an irksome task.

6. The appointment of Mr. Ramachandra Rao as manager is greatly to be deplored. He is not fitted for such responsibility by training and outlook, and will be completely overwhelmed by the variety of duties devolving on him. Nor is he an emergency man. Our factory, our own resources and the resources of this place are by no means self-sufficient; and emergencies do arise from time to time, which tax our capacity to the utmost. On such occasions Mr. Ramachandra Rao will find himself helpless. Mr. Achaya has put him forward not because he is satisfied that he is a man of outstanding capacity, but merely - because there is nobody else whom Mr. Achaya can put in charge of the work.

7. And as regards office work - 5 or 6 letters a day on an average - how is it to be carried on ? To mention only one matter, you would be surprised if you saw the file of correspondence in the case of deceased holders, involving questions of law and procedure. So far I have managed without recourse to legal advice; but Mr. Achaya cannot

be expected to take the responsibility. And Mr. Ramachandra Rao is incapable of dealing with such matters, or for the matter of that with any correspondence at all.

8. In these circumstances I am led to ask that the Board will kindly reconsider the whole position. I must confess that for some time I have been greatly exercised in mind for reasons into which it would be fruitless to enter. For myself I have learned a severe lesson which I will not easily forget; but I very greatly regret that I should have been the cause of so much worry and trouble to the Directors. I beg their forgiveness; hereafter I shall make all the amends I can.

9. As the Board has decided to appoint a selling agent, my son (Richard) will no loger be needed in Bangalore or to visit outside markets, and will therefore be available for full time work here. In other respects it will be our endeavour to achieve such success as is humanly possible. I may add that I have no loger any anxiety about my own health.

10. I enclose a letter formally withdrawing the resignation tendered by F.L. Silva and Sons, Ltd.

MK.29-11.

My dear Gree

Industries - Silk - Kollegal Silk Filature Ltd -
Appointment of Govt. Director -
Govt. do S.A. 651/41 dt 29.11.41.

The intention was that the new arrangements including the appointment of Govt. Director should take effect from the termination of the present managing agency

Copy
o/c 30/11/41

Issue today
copy
30/11/41 Dated as above

DEVELOPMENT DEPARTMENT.

Subject:- INDUSTRIES - Kollegal Silk Filatures Ltd. Kollegal - Sericultural Expert - Appointment as Government Director.

From the D.I. & C. D.O.No. S.A.691/41 dated 29-11-1941.

Mr.Green's D.O. below is submitted for perusal.

I have replied to his query in paragraph 1 that the appointment of the Sericultural Expert as Government Director should have effect only on the termination of the present Managing Agency The appointment of the Sericultural Expert was only a part of the new arrangements for supervision after the business is taken out of the hands of the present Managing Agency. Mr.Green will therefore attend the next meeting to be held on 6th December 1941 at Madras.

The results of the next meeting may perhaps be awaited before we ~~can~~ take any further action as suggested at 'AA' in para 2 of Mr.Green's letter.

Mr. Raghaviah & Mr. Green saw
A.2, and said that at today's meeting
of the Directors it has been decided
not to accept the withdrawal of his resignation
of ~~the Secretaryship~~ the managing
agency by Mr. Silva's firm. and that
Mr. Silva has agreed to hand over the management
to the Agricultural Expert as on 8.12.41.
This position is to come up for consideration
at the Shareholders' meeting at Madras
on 6.12.41 A.2 has asked Mr
Green to keep us informed of the
position from time to time until this
matter is finally settled.

No further action is
required on Mr Green's letter

C.O.R.
4/12/41